



the

BOND TELLER

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SAVINGS BONDS GET A TUNE UP

Take another look, tell your customers to take another look at Savings Bonds! Series EE Bonds issued on or after May 1, 1997, have improved market-based interest rates, are easier for the investor to understand and increase in value monthly.

Series EE Bonds purchased on or after May 1, 1997, earn interest based on market yields for 5-year Treasury securities right from the start. The new rate is 90% of the average yields on 5-year Treasury securities for the preceding six months.

The new Series EE Bond increases in value every month. The announced interest rate is compounded semiannually.

Bonds cashed before 5 years are subject to a 3-month interest penalty. The Savings Bond program encourages Americans to save for

longer-term goals such as education or retirement. Longer-term holders (longer than five years) are rewarded because there is no interest penalty and they benefit from higher 5-year rates over the full life of the bond.

The new bonds enjoy all the features of older Series EE Bonds: exemption from State and local taxes and deferral of Federal income tax until they are redeemed or stop earning interest thirty years after date of issue.

For those who qualify, all or part of the interest earnings can be excluded from Federal income tax when the bonds are redeemed to pay for post-secondary tuition and fees.

Interest rates are announced every May and November. These are the rates that apply to bonds for the six-month earning period. For example, the six-month earning period for a bond issued in May is from May through October; for a bond issued in June, it is June through November.

Continued on page 3

HOME BANKING BOND SALES IS IMMINENT

Public Debt has an initiative to encourage financial institutions to add the purchase of savings bonds to their transactions available through on-line or home banking.

Selling savings bonds through home banking will benefit both financial institutions and their customers.

Customers will be able to buy bonds from the convenience of their homes, while financial institutions will reduce resources necessary for savings bond processing.

In home banking, a customer will enter his or her own savings bond order information that will be used by the Federal Reserve Bank to issue and mail savings bonds. Most home banking software has verification edits which assist the customer in entering correct order information.

The issuing agent will receive the same fee (\$0.85) as for a regular RDS order submitted electronically, even though the bond order input will be completed by the customer.

Additional information on the sale of savings bonds through home banking can be obtained by calling Judy Williamson on (304) 480-7753. Judy may also be reached by E-mail at jwilliamson@bpd.treas.gov. □

EASY TO REMEMBER

Note our new, easy Internet address for Savings Bonds:
www.savingsbonds.gov.
Our other address works too:
www.publicdebt.treas.gov. □

IN THIS ISSUE

SAVINGS BONDS GET A
TUNE UPp 1

HOME BANKING BOND
SALES IS IMMINENTp 1

WHEN SHOULD I REDEEM
MY SAVINGS BONDS? ...p 2

FEDERAL RESERVE SERVICE
GOALSp 2

REMEMBER
THE WIZARD!p 2

DIRECT DEPOSIT MAKES
SENSEp 3

NEW SCHEDULE FOR
REDEMPTION TABLESp 3

SAVINGS BOND PRICING
SOFTWARE IS FREEp 3

ID RULES HELP AVOID LOSSES;
GIVE GOOD SERVICE.p 4

TAX REPORTING IS SAME FOR
NEWEST SERIES EE BONDS ...p 4

WHEN SHOULD I REDEEM MY SAVINGS BONDS?

Frequently asked questions by bondholders are: When should I redeem my savings bonds? When do my savings bonds mature? My savings bonds have matured, what should I do? Though bonds may be redeemed after six months, owners are encouraged to hold them for the long term.

Series EE Bonds are purchased at half their face value or denomination. Because Series EE Bond interest is pegged to market rates that change every six months, there is no way to predict when a bond will reach its face value. For example, a bond earning an average of 5% would reach face value in 14 1/2 years while a bond earning an average of 6% would reach face value in 12 years. In the unlikely event that rates are so low that a bond doesn't reach face value by the time it is 17 years old, Treasury will make a one-time adjustment to increase the bond's value to face value at that time.

Series EE Bonds and Series E Bonds issued from December 1965 forward, and Savings Notes or Freedom Shares, earn interest for 30 years. At the 30 year mark, they reach final maturity and stop earning interest. Series E Bonds issued through November 1965 have extended maturities to forty years.

When should you redeem your bonds issued before May 1997? The answer is as near as possible to the bond accrual or maturity, whichever is appropriate. Interest earnings are not prorated so redemption as close as possible to these dates will maximize your earnings. In general, bonds accrue interest on the anniversary of issue and six months later. There are some exceptions to this rule in the case of Series E Bonds.

The exceptions apply to Series E Bonds issued February 1957 to May 1959, June 1959 to November 1965, and June 1969 to November 1973. Savings Bonds issued on or after May

1997 accrue interest monthly, and interest is compounded semiannually. To take the most advantage of the compounding it is still a good idea to redeem as close as possible to the anniversary of issue and six months later. Also, take into account the 3 month interest penalty if the bonds are redeemed less than 5 years before the issue date.

When Series E and EE Bonds reach final maturity and stop earning interest, the owner has two choices: redeem the bonds and pay the federal tax liability on deferred interest earnings; or exchange the bonds for Series HH Bonds which pay current income by direct deposit to your bank. The tax liability on the older bonds may be deferred until the Series HH Bonds are redeemed. An exchange transaction for Series HH bonds must take place within a year of final maturity of the older bonds and requires a minimum of \$500 (redemption value) of older bonds. Series HH Bonds earn interest at a fixed rate, currently 4 percent.

Further information on exchange transactions may be obtained from: Bureau of the Public Debt, Parkersburg, WV 26106-1328 or through the Internet: www.savingsbonds.gov.

A table of Interest Accrual Dates for Savings Bonds also may be obtained from the Bureau of the Public Debt or through the Internet at www.savingsbonds.gov.

FEDERAL RESERVE SERVICE GOALS

Like your own financial institution, the five Federal Reserve Service Sites for savings bonds want to provide quality service in a timely manner.

So that you and your customers may know what to expect when a savings bond transaction is submitted, the Federal Reserve has set the following goals:

— Series EE Savings Bond Purchases and Redemptions (Non-EZ Clear)

REMEMBER THE WIZARD!

When your customers ask for redemption tables for Series E, EE Bonds and Savings

Notes remember to tell them about the Savings Bond Wizard that helps bondowners keep track of their

holdings! Just enter bond serial numbers once for a record of bonds and their values.

Update the record every six months. It's so easy and it's free! The Wizard can be reached through the Internet at www.publicdebt.treas.gov/sav/savwizar.htm.

A diskette may be purchased for \$17 by writing to: Superintendent of Documents, U.S. Government Printing Office, Attn: Electronic Products, P.O. Box 37082, Washington, DC 20013-7082.



Rate Information

Current interest rates on savings bonds can be obtained by calling the toll-free recording 1-800-4US-BOND (1-800-487-2663).

should be completed within two weeks from receipt of all documentation. In the case of redemptions, this includes mailing of checks or credit to a financial institution's reserve account.

— Exchanges for HH Bonds and Reissues of Bonds should be mailed within 4 weeks of receipt of documentation.

For questions about transactions and forms get acquainted with your servicing site and keep its phone number handy. A contact list can be found in Appendix G of the Savings Bonds Resource Guide.

DIRECT DEPOSIT MAKES SENSE

The clock is ticking for Series HH/H savings bondowners who have not signed up for direct deposit. Effective January 1, 1999, federal payments must be made by direct deposit to a checking or savings account.

To make the transition easier, begin now to encourage bondowners who currently receive interest payments by check to sign up for direct deposit. Signing up now will avoid the risk of having their payments interrupted. With direct deposit, their checks won't be stolen or lost in the mail, and their money is available the morning of the payment date.

Direct deposit is easy! Offer bondowners the direct deposit sign up form, SF 1199A, and have them fill it out and return it to Public Debt, Parkersburg, West Virginia 26102-2186. You can obtain the SF 1199A and any other savings bond form from your servicing Federal Reserve Office. □

TUNE UP (Cont'd from page 1)

Since Series EE bond interest is pegged to market rates that change every six months, there is no way to predict when a bond will reach face value. However, if interest rates are so low that the bond doesn't reach face value in 17 years, Treasury will make a one-time adjustment to increase the bond's value to face value at that time.

The new savings bond terms do not effect savings bonds and notes issued before May 1, 1997. Older bonds will continue to earn interest under the terms in effect at the time of their purchase. □

Gift Certificates

When a bond is purchased as a gift remind your customer to send a gift certificate so the receiver will know who to thank for the gift.

NEW SCHEDULE FOR REDEMPTION TABLES

In the past, savings bond redemption table booklets have covered six-month periods that begin each May and November. We're changing that process a little bit. You may have noticed that your current booklets are good for only four months (November 1997 through February 1998).

This is a one-time transition period that allows us to change the booklet dates permanently. You'll see this change in the next booklets, which will cover a six-month period from March 1998 through August 1998. After that, booklets will cover six-month periods that begin each March and September. □

SAVINGS BOND PRICING SOFTWARE IS FREE

Current Redemption Value (CRV) software is a computer program designed by the Bureau of the Public Debt to help banks price savings bonds electronically.

This software gives redemption values for series E and EE bonds and Savings

Notes and is becoming more popular with the agent community. More than 4,000 banks are now using CRV to price savings bonds, an increase of over 1,000 in only six months. Why? Because agents have learned that it's more convenient, it's faster, and there's less chance for error than with the old paper redemption value tables.

The latest version of CRV can be downloaded from Public Debt's site on the Internet using the following address: www.publicdebt.treas.gov/sav/savprice.htm.

Paying agents who don't have Internet access can order their free copy of CRV from the Savings Bond Operations Office by phone, FAX, or mail.

Phone: (304) 480-6888

FAX: (304) 480-7959

Mail: Fill out the coupon provided on this page and mail to: Accrual Bond Branch, Bureau of the Public Debt, P.O. Box 1213, Parkersburg, WV 26102-1213. □

CRV Bond Pricing Software Request

FRB Code

Paying Agent Code

ABA (Routing/Transit) Number

Agent Name _____

Address _____

Contact Person _____

Title _____

Telephone No. (_____) _____ - _____ Ext. _____

ID RULES HELP AVOID LOSSES; GIVE GOOD SERVICE

During normal business hours, a paying agent is required to cash bonds eligible for payment for any owner or coowner who can provide acceptable identification according to the Identification Guide For Cashing United States Savings Bonds (PD 3900 or Savings Bonds Resource Guide).

An agent that cashes a bond for the wrong person, is only liable for the loss if Treasury determines that the loss was the result of negligence on the agent's part.

Following the guide protects the agent when redeeming bonds for both account holders and non-account holders. When redeeming a bond be sure to:

- examine each bond to determine that it is eligible for payment and that the request for payment on the back is properly filled out and signed;
- require identification acceptable under the Guide;

- make a careful notation describing the identification accepted from the presenter.

Customer identification is acceptable if the presenter's name has been on the account with your institution for at least six months, and the presenter's signature on the bonds compares favorably with the signature you have on file.

Documents acceptable for identification in savings bond transactions are listed on the back of the Guide. No more than \$1,000 (total redemption value) in savings bonds may be paid in a transaction when relying on documentary identification regardless of the number of different documents presented as identification.

When looking at an identification document, make sure that it looks genuine, that the name on the document is the same as the name on the bonds, and that the signature and picture/physical description compares favorably to those of the presenter.

On at least one of the bonds presented or on a separate record note the exact identification used.

TAX REPORTING IS SAME FOR NEWEST SERIES EE BONDS

The new interest rate structure that went into effect on May 1, 1997 for Series EE Savings Bonds has not changed tax reporting requirements for financial institutions or their customers.

Tellers should still report the total difference between the purchase price and the redemption value of bonds on IRS Form 1099-INT or an acceptable substitute. The full amount of the redeemed bonds' interest should be reported (if it is \$10 or more) to both the person to whom the bonds are paid and the IRS.

Bonds with May 1997 and later issue dates, redeemed before they are five years old, are subject to a three-month interest penalty. However, you don't have to calculate the penalty because published redemption values already include it. You will be able to look up redemption values and interest earned just as you always have done using paper redemption tables or electronic redemption data. There is no separate penalty amount to calculate.

Change of Address

Editor: Please change the mailing address

From: (Recipient please affix old label here or provide the identification number printed above the address on the label.)

To: _____

Please change the number of copies I receive

from _____ to _____ .

_____ I no longer wish to receive "The Bond Teller."

A TIME FOR GIFTS

Holiday gift-giving time is upon us. In fact, we are almost into the last-minute gift season. Offer your customers gift certificates when they buy Savings Bonds. They will have something to give directly or by mail to the receiver, and the receiver will know to look for the bond in the mail.

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Editor: Sheila E. Nelson